

SENATE BILL REPORT

2SHB 2829

As Reported By Senate Committee On:
Financial Institutions & Insurance, February 27, 2008

Title: An act relating to expanding financial literacy through education and counseling to promote greater homeownership security.

Brief Description: Expanding financial literacy through education and counseling to promote greater homeownership security.

Sponsors: House Committee on Apps Subcom GG (originally sponsored by Representatives Kelley, Williams, Eddy, Rolfes, Lantz, Lias, Linville, Upthegrove, Green, Anderson, Nelson, Morrell, Fromhold, Kenney, Darneille, McIntire, Kirby, Haigh, Simpson, Hasegawa, O'Brien and Ormsby; by request of Governor Gregoire).

Brief History: Passed House: 2/15/08, 73-21.

Committee Activity: Financial Institutions & Insurance: 2/26/08, 2/27/08 [DPA].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Benton, Ranking Minority Member; Franklin, Parlette, Prentice and Schoesler.

Staff: Aaron Gutierrez (786-7448)

Background: The Department of Financial Institutions (DFI) regulates state-chartered financial institutions, state licensed consumer loan companies, and mortgage brokers. The DFI also provides education and outreach to protect consumers from financial fraud.

In September 2007 Governor Gregoire established the task force for Homeowner Security (Task Force) to evaluate instability in the mortgage market and minimize the impact in Washington. The Task Force met six times between September and mid-December. The Task Force issued a report on December 21, 2007. The report included approximately 24 recommendations, including recommendations for:

- homeowner counseling prior to purchase;
- homeowner counseling prior to foreclosure;
- consumer education and outreach; and
- financial literacy.

Summary of Bill (Recommended Amendments): The Homeownership Security Account (Account) is created for the purposes of preventing predatory lending and providing

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homeownership education, information, and counseling. Only the Director of the DFI or the director's designee may authorize expenditures from the Account. Contributions from private or nonprofit organizations may be deposited in the Account. Over 50 percent of the funds in the Account must be used to assist persons at or below 80 percent of the county median income. Private contributors to the Account may request that the DFI provide an accounting of their annual contributions to the Account.

The Director of the DFI may provide funds for the establishment, administration, and implementation of financial literacy and/or consumer education programs that assist citizens of all ages in understanding saving, investing, and budgeting, and other skills necessary to obtain individual financial independence, fiscal responsibility, and financial management skills.

The DFI may use grants, contracts, or interagency agreements with governments and nongovernmental organizations to deliver the financial literacy or consumer education programs. The DFI may coordinate with ongoing efforts by other public and private sector agencies.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (Recommended Amendment): The null and void clause was removed.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Second Substitute Bill: PRO: SB 6272, which was signed by the Governor, left out a major component. This bill allows for the use of private contributions in financial literacy efforts.

Persons Testifying: PRO: Representative Kelley, prime sponsor.